

# Technical Assistance Paper #1

## *Elements of Economic Development*

### The Creation of Wealth

More and more communities have come to the realization that change is inevitable. Growth, on the other hand, may be neither inevitable, nor enviable. Increasingly, communities are turning to economic development to help them manage that change. In an age when industrialization has given way to information, a good economic development program will help a community remain "tuned in" to the world. It can help business and industry be more productive, and also contribute to the community's overall relevance. Accomplishing this takes a program that is patient and broadly based.

An expedient method of practicing economic development is to find just one strategy, go all out to make that work, then sit back and count the jobs created. Many communities have done exactly that and experienced a certain amount of short-term success. Over the long haul, however, these same communities find that very little has actually improved. The community's quality of life seems, somehow, vaguely out of touch. The level of discontent grows both politically and socially, and everyone in town seems to be looking for a new answer.

An economic development program must address a range of conditions if it is to have a lasting impact on its community. Narrowly focused programs merely serve to perpetuate the status quo. Broad-based programs are more likely to affect each community according to that community's unique needs. The chart above shows how different regions of Missouri compare in work force and per capita income. Individual counties differ even more.

In the final analysis, economic development is not just the creation of jobs, but the creation of wealth, and requires a long-term commitment.

### Resources Analysis

The field of economic development is a subset of the broader field of community development. Many professionals who once tried to concentrate on industrial recruitment, for example, were frustrated because of the low skill levels of their work forces. After creating job-training programs, they discovered that firms were passing them by because their community's quality of life was perceived as poor. Then after creating a series of community betterment projects, they were told the transportation network was at fault.

A good economic development program begins with an analysis of local resources, both human and material. No two communities start development programs from the same place, simply because every

community's resources are different. One might have a higher skill level. Another might be a regional trade center. A third might be located near an interstate. All of them require different strategies. Economic development is not a precise science in the traditional sense - its focus must make sense given the community at large, rather than trying to function as an entity unto itself.

## Five Tactics

Good economic development programs are built around all or part of five basic tactics. Specific strategies vary from town to town, but a good program will in some way or another address all five.

*Make existing employers more competitive:* Many professionals feel this is the most cost-effective approach to economic development because it emphasizes holding on to what a community already has. Improved profitability could also result in business expansion. Some strategies include job-training programs, business counseling, and improved marketing plans. These strategies help local businesses "tune in" to the changing world.

*Encourage new employers:* Strategies associated with this objective strive to create new enterprises that did not previously exist. The essence of entrepreneurs is the development of new products for manufacture or the creation of innovative services not presently available. New businesses may be created that add value to local resources or products.

*Capture more local dollars:* These strategies involve systemic methods for retaining local income. For example, up to 20% of community income leaves town to pay energy costs. A housing weatherization program could succeed in putting a large chunk of that back into community pockets. Programs that help local institutions purchase goods and services locally are another strategy.

*Attract new employers:* Recruit businesses and industries that are looking to move or expand into a new location. Effectively targeting needed industries can also help a community's diversity, raise income levels, and fill voids. Enticing a manufacturer to locate in a community may involve the use of tax credits or infrastructure improvements.

*Capture more global dollars:* Both tourism and attracting new retirees, for example, bring with them resources that spur activity elsewhere in the economy. In addition, the array of programs and services available from federal and state governments and other public sector agencies increases a small community's ability to grow.

## Quality of Life

Many communities find that wealth is not a quantitative ideal, but a qualitative one. It may be more important to increase the skills of current employees than to increase the number of low-skill jobs - in fact the issue may not be jobs or money at all. A good economic development program will use all the resources

within a community, be they economic or cultural or social. Grassroots organizations and volunteers are extremely important to the economic developer trying to foster "change".

Every community views the forms of its "wealth" differently, but each judges itself by the quality of what it has. It will judge its future the same way. A broad-based economic development program will evolve from these values. Indeed, a community's sense of "self" and "vision" are part of its resources.

For more information on broad-based community and economic development, contact the Office of Rural Development at 573.751.1208, Internet: [thackney@mail.state.mo.us](mailto:thackney@mail.state.mo.us)